

Pivot to the Pacific? The Obama Administration's "Rebalancing" Toward Asia

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Summary

In the fall of 2011, the Obama Administration issued a series of announcements indicating that the United States would be expanding and intensifying its already significant role in the Asia-Pacific, particularly in the southern part of the region. The fundamental goal underpinning the shift is to devote more effort to influencing the development of the Asia-Pacific's norms and rules, particularly as China emerges as an ever-more influential regional power. Given that one purpose of the "pivot" or "rebalancing" toward the Asia-Pacific is to deepen U.S. credibility in the region at a time of fiscal constraint, Congress's oversight and appropriations roles, as well as its approval authority over free trade agreements, will help determine to what extent the Administration's plans are implemented and how various trade-offs are managed.

Areas of Continuity. Much of the "pivot" to the Asia-Pacific is a continuation and expansion of policies already undertaken by previous administrations, as well as earlier in President Obama's term. Since President Obama's inauguration in 2009, the United States has given considerable time and emphasis to Southeast Asia and to regional multilateral institutions. Under President George W. Bush, the United States emphasized the strengthening of relations with existing allies in Asia, began moving toward a more flexible and sustainable troop presence in the region, concluded a free trade agreement (FTA) with South Korea, brought the United States into the Trans-Pacific Partnership (TPP) FTA negotiations, and forged new partnerships with India and Vietnam. All of these steps have been furthered by the Obama Administration.

Transformational Elements. That said, there are a number of new aspects of the shift. The most dramatic lie in the military sphere. As part of a plan to expand the U.S. presence in the southwestern Pacific and make it more flexible, the Obama Administration has announced new deployments or rotations of troops and equipment to Australia and Singapore. U.S. officials have also pledged that planned and future reductions in defense spending will not come at the expense of the Asia-Pacific (nor of the Middle East). Additionally, underlying the "pivot" is a broader geographic vision of the Asia-Pacific region that includes the Indian Ocean and many of its coastal states.

Benefits, Costs, and Risks. Underlying the "pivot" is a conviction that the center of gravity for U.S. foreign policy, national security, and economic interests is being realigned and shifting towards Asia, and that U.S. strategy and priorities need to be adjusted accordingly. For many observers, it is imperative that the United States give more emphasis to the Asia-Pacific. Indeed, for years, many countries in the region have encouraged the United States to step up its activity to provide a balance to China's rising influence.

There are a number of risks to the "pivot," however. In an era of constrained U.S. defense resources, an increased U.S. military emphasis on the Asia-Pacific region might result in a reduction in U.S. military capacity in other parts of the world. Another budgetary consideration is that plans to restructure U.S. military deployments in Asia and minimize cuts in the Navy may run up against more restrictive funding constraints than plans yet assume. Additionally, the perception among many that the "rebalancing" is targeted against China could strengthen the hand of Chinese hard-liners. Such an impression could also potentially make it more difficult for the United States to gain China's cooperation on a range of issues. Additionally, the prominence the Obama Administration has given to the initiative has raised the costs to the United States if it or successor administrations fail to follow through on public pledges made, particularly in the military realm.

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Introduction¹

In the fall of 2011 and early 2012, the Obama Administration announced that it would be intensifying the U.S. role in the Asia-Pacific region.² To do this, it intends to raise the region's priority in U.S. military planning, foreign policy, and economic policy. With U.S. troops gone from Iraq and poised to be drawn down in Afghanistan, Administration officials say they plan to "rebalance" U.S. attention toward planning for future challenges and opportunities, such as those represented in the Asia-Pacific region. As President Barack Obama stated in a November 2011 address to the Australian parliament, his goal is to ensure that "the United States will play a larger and long-term role in shaping this region [the Asia-Pacific] and its future." The ultimate goal, according to National Security Advisor Tom Donilon, is to promote U.S. interests by helping to shape the norms and rules of the Asia-Pacific region, to ensure that "international law and norms be respected, that commerce and freedom of navigation are not impeded, that emerging powers build trust with their neighbors, and that disagreements are resolved peacefully without threats or coercion."

As part of its proclaimed "strategic turn" toward Asia, since the fall of 2011 the United States has, among other steps:

- announced new troop deployments to Australia, new naval deployments to Singapore, and new areas for military cooperation with the Philippines;
- stated that, notwithstanding reductions in overall levels of U.S. defense spending, the U.S. military presence in East Asia will be strengthened and be made "more broadly distributed, more flexible, and more politically sustainable":⁵
- released a new defense planning document that confirmed and offered a rationale for the rebalancing to Asia while retaining an emphasis on the Middle East;
- joined the East Asia Summit (EAS), one of the region's premier multinational organizations; and
- secured progress in negotiations to form a nine-nation Trans-Pacific Strategic Economic Partnership (TPP) free trade agreement (FTA).⁶

The Administration's increased emphasis on the Asia-Pacific region appears to have been prompted by four major developments:

¹ Hannah Fischer, CRS Information Research Specialist, made a number of critical contributions to this report.

² The geographic scope of the Administration's shift, and the definition used in this report, appears to be East Asia, Southeast Asia, Australasia, and the coastal areas of South Asia.

³ The White House Office of the Press Secretary, "Remarks By President Obama to the Australian Parliament," November 17, 2011.

⁴ Tom Donilon, America is Back in the Pacific and will Uphold the Rules, Financial Times, November 27, 2011.

⁵ Ibid

⁶ The current nine negotiating nations are Australia, Brunei, Chile, Malaysia, New Zealand, Peru, Singapore, the United States, and Vietnam. In addition, Canada, Mexico, and Japan have publicly announced their interest in possibly joining the TPP talks.

- the growing economic importance of the Asia-Pacific region, and particularly China, to the United States' economic future;
- China's growing military capabilities and its increasing assertiveness of claims to disputed maritime territory, with implications for freedom of navigation and the United States' ability to project power in the region;
- the winding down of U.S. military operations in Iraq and Afghanistan; and
- efforts to cut the U.S. federal government's budget, particularly the defense budget, which threaten to create a perception in Asia that the U.S. commitment to the region will wane.

What's Old and What's New?

Areas of Continuity

Many aspects of the "Pacific Pivot" represent an expansion rather than a transformation of U.S. policy. The Obama Administration follows a long line of U.S. governments that, since the end of World War II, has sought to underpin stability and security in the Asia-Pacific by maintaining a large troop presence in East Asia and by involving the United States in most major diplomatic developments in the region. The level of continuity in the "pivot" may help ensure that the U.S. emphasis on the Asia-Pacific will continue regardless of the outcome of the 2012 U.S. presidential election.

A number of the Obama Administration's discrete initiatives build on previous actions, so much so that some observers argue that the Administration has overstated the depth and extent of its "pivot." For instance, in the military sphere, the Administration is accelerating and expanding policies undertaken under President George W. Bush to intensify the U.S. focus on the southern and western parts of the region by carrying out operations there mainly through rotational deployments rather than through deployments of permanent bases. The Obama Administration is also expanding Bush-era initiatives such as strengthening relations with existing allies in Asia; negotiating the TPP; and forging new partnerships with India, Indonesia, and Vietnam. The "rebalancing" to the Asia-Pacific also represents a deepening of the Obama Administration's efforts, begun in 2009, to upgrade U.S. diplomatic visibility and presence in the Asia-Pacific. Perhaps most notably, since 2009, the Administration has consistently given considerable time and emphasis to Southeast Asia and to regional multilateral institutions. Prior to President Obama taking office, many Southeast Asian leaders in the region felt they had been neglected by the United States.

⁷ For more on this point, see Evan A. Feigenbaum, Council on foreign Relations; *Strengthening the U.S. Role in Asia*, November 16, 2011, http://www.cfr.org/asia/strengthening-us-role-asia/p26520.

⁸ "I don't see strong evidence of a serious pivot toward Asia,' Interview with Dan Sneider," *Dispatch Japan* blog, February 13, 2012, http://www.dispatchjapan.com/blog/2012/02/sneider-i-dont-see-strong-evidence-of-a-serious-pivot-toward-asia.html.

⁹ For instance, in introducing Secretary of State Clinton during her visit to the ASEAN Secretariat in February 2009, ASEAN Secretary General Surin Pitsuwan said, "Your visit shows the seriousness of the United States to end its diplomatic absenteeism in the region." State Department, "Beginning a New Era of Diplomacy in Asia," press release, February 18, 2009. The trip to Asia was Clinton's first overseas trip after being confirmed as Secretary of State. In another symbolic move, it was also the first time a U.S. Secretary of State visited the ASEAN Secretariat. For more, (continued...)

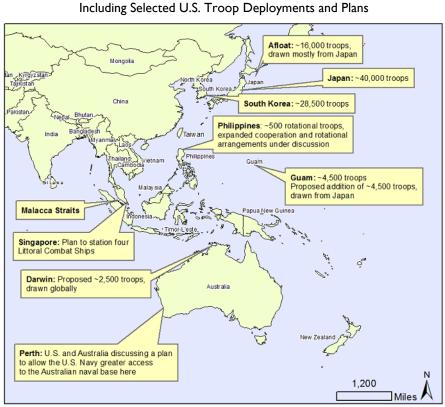


Figure 1. Map of the Asia-Pacific

CRS Information Research Specialist Hannah Fischer created this map using the following sources: March 2012 CRS communication with the Office of the Secretary of Defense, except for possible plans regarding the Stirling naval base near Perth, Australia. For more on reports of the discussions surrounding Stirling, as well as developments on U.S. defense arrangements with Australia, see "Australia to Welcome 250 US Marines Next Month," Associated Press, March 27, 2012, and Craig Whitlock, "U.S., Australia to Broaden Military Ties Amid Pentagon Pivot to SE Asia," Washington Post, March 26, 2012. For other deployments and arrangements, see also Department of Defense, "Active Duty Military Personnel Strengths by Regional Area and by Country (309A)," September 30, 2011, at http://siadapp.dmdc.osd.mil/personnel/MILITARY/history/hst1109.pdf. For information on plans to station four littoral combat ships off Singapore, see U.S. Congress, House Committee on Armed Services, "House Committee on Armed Services Holds a Hearing on the F.Y. 2013 Navy Authorization," Political Transcripts by CQ Transcripts, February 16, 2012.

see CRS Report R40933, *United States Relations with the Association of Southeast Asian Nations (ASEAN)*, coordinated by Thomas Lum.

^{(...}continued)

The Administration's increased emphasis on the Asia-Pacific region appears to be more of a change in means (i.e., the level of resources and leadership attention devoted to this part of the world) than a change in policy goals. Fundamental U.S. interests in the region—including stability, freedom of navigation, the free flow of commerce, the promotion of democracy and human rights—are essentially unchanged. Moreover, underlying much of the Obama Asia-Pacific policy is the longstanding challenge of managing tensions in Sino-U.S. relations while seeking to deepen China's integration into the international community.

That said, there are at least three broad new features of U.S. policy that are worth emphasizing: new military priorities and deployments; an arguably more integrated and region-wide approach to the Asia-Pacific; and a vision of the region's geography to include the Indian Ocean.

Adjustments in U.S. Security Policy

The highest-profile new initiatives lie in the security sphere. (See Text Box.) The planned deployments of troops and equipment to Australia and Singapore represent an expanded U.S. presence. Moreover, the pledge that reductions in defense spending will not come at the expense of the Asia-Pacific or the Middle East signals the Administration's desire to reorient the Department of Defense's (DOD's) priorities. The most obvious implication, subsequently reflected in the DOD's January 2012 "Strategic Guidance," has been to minimize cuts in the size of the Navy, with reductions focused instead on Army and Marine ground forces. With the exception of the Korean Peninsula, Asia is seen mainly as a naval theater of operations, and the decision not to cut the Navy as sharply as other services reflects a shift in priorities that is unusual in year-to-year defense planning.

The Defense Department is complementing these changes with perhaps equally far-reaching shifts in military-technological priorities in the U.S. defense posture, aimed at responding to potential future challenges as conflicts in Iraq and Afghanistan recede. A number of initiatives are relevant to assessments of potential challenges in Asia, in general, and from China in particular. Among other things, the Defense Department's Strategy Review endorsed the continued deployment of 11 aircraft carriers and reemphasized efforts to improve capabilities to defeat what planners describe as "Area Denial/Anti-Access" strategies, which are known to be a focus for China's military.¹¹

¹⁰ For more, see CRS Report R42146, *In Brief: Assessing DOD's New Strategic Guidance*, by Catherine Dale and Pat Towell.

¹¹ "Area Denial/Anti-Access" strategies are those in which adversaries attempt to erode the U.S. ability to project power into what are, from the U.S. perspective, distant regions, and from their standpoints, bordering areas.

New Military Deployments and Arrangements in Australia and Southeast Asia

Australia: Perhaps the most concrete new element of the "Pacific Pivot" involves Australia, which has been a U.S. treaty ally since 1951. Beginning in April 2012, a company-size rotation of 200 to 250 marines initially plans to be rotated to an existing Australian military facility at Darwin for around six months at a time. The size of the rotation is to be gradually expanded—over the course of years—into a force of around 2,500 Marine Corps personnel, or a full Marine Air Ground Task Force. The U.S. and Australia have also announced plans for greater access by U.S. military aircraft to the Royal Australian Air Force facilities. Moreover, the two militaries reportedly are also discussing allowing the U.S. Navy to have greater access to Australia's Indian Ocean navy base HMAS Stirling, south of the west coast city of Perth. For more on this last item, see Craig Whitlock, "U.S., Australia to Broaden Military Ties Amid Pentagon Pivot to SE Asia," Washington Post, March 26, 2012, and "Australia to Welcome 250 US Marines Next Month, Plays Down Proposal For Indian Ocean Air Base," Associated Press, March 27, 2012.

In Singapore, the U.S. plans to station four littoral combat ships at the city-state's naval facility.

The Philippines and the United States are discussing new military cooperation options, including rotating surveillance aircraft in the Philippines, rotating U.S. troops more frequently into the country, and staging more frequent joint exercises.

A More Integrated, Region-Wide Approach to the Asia-Pacific

A second new dynamic is the way the various new and old military, diplomatic, and economic initiatives have been presented as parts of one package. The implication is that going forward, the United States will aim to have a much more *integrated* approach to the region, in which the various tools of power and influence are utilized in a more deliberate and coherent fashion. As of mid-March 2012, there were few outward signs of greater internal policy coordination, though this could be attributable to the absence of any major region-wide meetings or issues. In the Administration's FY2013 budget proposal, the White House, Defense Department, and State Department do appear to have worked to spare the Asia-Pacific from most of the deeper programmatic cuts that were experienced by other regions.

A Broader Vision of the Region's Geography

Another new element to the Obama Administration's policy is the inclusion of the coastal areas of South Asia in the geographic scope of the "Pacific pivot," because of the strategic importance of the energy resources and trade that pass through the Indian Ocean and the Straits of Malacca before reaching the manufacturing centers of East Asia. Last Asia and South Asia have often been conceived as distinct strategic sub-regions of Asia, but an estimated 50% of world container traffic and 70% of ship-borne oil and petroleum transit the Indian Ocean, the vast majority on its way to East Asia. Increasing strategic rivalry between China and India also serves to bring these Asian sub-regions into a larger Asia-wide strategic dynamic. Assistant Secretary of State for East Asia Kurt Campbell has described the task of operationally making the linkage between the Indian and Pacific Oceans as "the next challenge" of U.S. strategic thinking.

¹² For instance, Secretary Clinton recently defined the Asia-Pacific as "stretching from the Indian Subcontinent to the western shores of the Americas, the region spans two oceans—the Pacific and the Indian—that are increasingly linked by shipping and strategy." Hillary Clinton, "America's Pacific Century," *Foreign Policy*, November 2011.

¹³ The United States and India: A Shared Strategic Future, Council on Foreign Relations, September 2011.

¹⁴ Kurt Campbell, "Campbell Joins Bloomfield at Stimson's Chairman's Forum," January 20, 2012, available as a video at http://www.stimson.org/spotlight/asst-secretary-for-east-asian-affairs-kurt-campbell-speaks-at-stimsons-chairmans-forum/.

Congress' Involvement in the "Pivot"

Although the Administration's increased emphasis on the Asia-Pacific region does not seem to represent a new global strategy, it does potentially mark an important signal of new priorities in several policy areas. It appears that the Administration did not consult deeply with Congress prior to deciding on and announcing these changes. As discussed below, the Administration's "rebalancing" poses several potential oversight and appropriations questions for Congress related to U.S. military, diplomatic, and economic policies, and for the role of Congress as a partner with the executive branch in the determination of U.S. strategy (see in particular the "Implications for Congress" section below).

Overall Benefits, Costs, and Risks

As with any assertion of a new strategy, the "rebalancing" toward the Asia-Pacific will produce a number of foreseeable benefits and risks. The latter are likely to be brought into sharp relief by ongoing efforts to reduce the federal government's debt and budget deficit.

The Rising Importance of the Asia-Pacific

Underlying the "pivot" is the Administration's belief that the center of gravity for U.S. foreign policy, national security, and economic interests is shifting towards Asia, and that U.S. strategy and priorities need to be adjusted accordingly. Since 2000, Asia has become the United States' largest source of imports and second-largest export market after the North America region. (See **Table 1**.) As the world's most populous area and fastest growing economic zone, Asia is expected to become even more vital for the U.S. economy in the future—an expectation that has led the Obama Administration to pursue the Trans-Pacific Partnership and to make Asian nations central to its National Export Initiative. ¹⁵ Greater trade flows through the Asia-Pacific (particularly the Strait of Malacca and South China Sea) have also reinforced greater U.S. security interests in the region, as have the major expansions of other local nations' military forces, most notably China's. ¹⁶

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¹⁵ National Export Initiative (NEI), introduced by President Obama in 2010, is a strategy for doubling U.S. exports by 2015 to generate U.S. jobs. For more, see CRS Report R41929, *Boosting U.S. Exports: Selected Issues for Congress*, by Shayerah Ilias et al.

¹⁶ China's investments in its military capabilities include large numbers of land-based ballistic and cruise missiles, naval systems with greatly expanded range, and asymmetric forces such as anti-satellite weapons and cyberwar capabilities.

Table I. Regional Shares of U.S. Merchandise Trade

	Exports		Imports	
	2000	2010	2000	2010
Africa	1.1%	1.8%	1.8%	3.7%
Asia including China	22.0%	23.5%	28.9%	32.2%
Asia minus China	20.3%	17.6%	22.6%	16.2%
Central & South America	6.0%	8.9%	4.7%	5.7%
Commonwealth of Independent States	0.3%	0.6%	0.6%	1.4%
Europe	18.8%	17.9%	15.8%	15.4%
Middle East	1.9%	3.1%	2.5%	3.3%
North America	29.5%	26.6%	23.2%	22.2%

Source: U.S. International Trade Commission.

Note: "Asia" is defined as East Asia, South Asia, Southeast Asia, and Oceania (including Australia and New Zealand), but excludes Central Asia.

For many observers, it is thus only prudent that the United States gives more emphasis to the Asia-Pacific.¹⁷ A failure to do so could invite other regional powers, particularly China, to shape the region in ways that are not necessarily in U.S. interests. Arguably, it could also lead to greater instability as the region adjusts to the shifting correlates of power—most prominently the rise of China and India—with the potential for regional confrontation. Indeed, many would argue that the potential costs of *inaction* arguably could outweigh the risks of action.

That said, many of the moves the Administration has taken and said it will undertake are relatively small-scale; even the planned deployment of 2,500 Marines to Australia is fairly modest. Yet, cumulatively they are designed to have a large symbolic impact. Administration officials argue that demonstrating a lasting U.S. commitment to Asia will make bilateral partners and Asian multilateral organizations more willing and able to shape the region's rules and norms collectively. Over the past decade, many Asian leaders have questioned the United States' staying power in their region. By taking steps to ease these concerns, the Obama Administration hopes to provide Asian countries with the confidence and capacity to provide more of the region's "public goods"—security cooperation, trade and investment liberalization, and others. If the United States can convince the region that it is committed for the long haul, it may get deeper cooperation from partners than would otherwise be possible. In contrast, some countries in the region, most notably China, note that Asian countries have been actively working together to shape rules and norms and liberalize trade for at least the last decade, and question whether the United States' belated interest will help or complicate the process. Additionally, some U.S. allies in the region—most notably Japan and South Korea—may worry that because the "pivot" is occurring in a period of fiscal austerity, the United States will ask them for increased financial contributions to their respective alliances.

¹⁷ See for instance, Will Inboden, "What Obama's Done Right—And Wrong," *Foreign Policy*, December 28, 2011. Inboden argues that "A renewed commitment to allies such as Japan and Australia, increased attention to emerging partners such as India and Indonesia, outreach to potential partners such as Vietnam and Burma, and an upgraded strategic posture across the region were all features of a substantially improved Asia policy that has the potential to pay dividends for a generation."

The Pros and Cons of Becoming More Assertive with China¹⁸

Although Obama Administration officials have often stated that their moves are not aimed at any one particular country, most observers believe they are responses, at least in part, to China's growing influence. Particularly worrisome to many in the United States and in the region has been Beijing's greater willingness in recent years to display its diplomatic and military might in asserting its claims to contested maritime territory in the South and East China Seas, as well as through live-fire military exercises, maritime patrols, harassment of Vietnamese oil exploration vessels, and detention of Vietnamese and Philippine fishing boats. 19 While the Obama Administration continues to seek stronger cooperative ties with China, its Pacific "rebalancing" effort represents a simultaneous attempt to warn China away from using heavy-handed tactics against its neighbors and provide confidence to other Asia-Pacific countries that want to resist pressure from Beijing now and in the future.²⁰ The Administration appears to have had some success with the more confrontational side of this two-track approach, at least in the short term. After the United States, Vietnam, and other East Asian countries diplomatically pushed back in 2010 against what they saw as Chinese encroachment in the South China Sea, China chose to join multilateral negotiations with Southeast Asian countries over a Code of Conduct in the South China Sea. More recently, Vietnam's move to strengthen U.S.-Vietnamese ties (as well as deepen its ties to India and Japan) appears to have led Beijing to try to patch up its relationship with Hanoi, contributing to an easing of tensions.

However, the widespread perception that the "rebalancing" initiative is aimed at China also creates a host of risks. The "pivot" to the Pacific is seen by some in China in starker terms, as focused on dividing China from its neighbors and keeping China's military in check. Such an impression may strengthen the hand of China's military (the People's Liberation Army, or PLA), which has long been suspicious of U.S. intentions in the region. The military could in turn become more determined to strengthen China's anti-access capabilities and more assertive about defending China's territorial claims, rather than less. The impression that the rebalancing is aimed at containing China could potentially make it more difficult for the United States to gain China's cooperation on such issues as Iran and North Korea.

The impression that the rebalancing seeks to counter China carries potential risks for U.S. economic interests, too. China is the United States' second-largest trading partner, its third-largest export market, and the largest foreign holder of U.S. government debt. It is also the world's second largest economy, with an increasingly influential voice in debates about global economic management. A deterioration in already frayed U.S.-China strategic trust could potentially make China less responsive to U.S. concerns about its economic policies and about market access for U.S. firms in the Chinese market. It could also potentially make Beijing less willing to compromise on big decisions related to the global economic system.

Relatedly, some countries in the region may recoil against greater U.S. involvement in regional matters if it is seen to raise tensions or force them to "choose" between two crucial partners.

¹⁸ For more, see CRS Report R41108, *U.S.-China Relations: Policy Issues*, by Susan V. Lawrence and Thomas Lum, and CRS Report RL32496, *U.S.-China Military Contacts: Issues for Congress*, by Shirley A. Kan.

¹⁹ China is not alone in taking assertive actions to protect claimed territory in the South China Sea. Patrol ships from Indonesia, Malaysia, the Philippines, and Vietnam have detained and confiscated fishing vessels of other nations that were allegedly operating illegally in claimed areas.

²⁰ Kenneth Lieberthal, "The American Pivot to Asia," Foreign Policy, December 21, 2011.

China is the largest trading partner of most of its neighbors, so there is a keen economic interest for most in maintaining stable relations with Beijing. China and the 10-nation Association of Southeast Asian Nations (ASEAN) continue working-level discussions towards a Code of Conduct in the South China Sea, and many in Southeast Asia see a cooling of temperatures as necessary for progress.²¹ Many if not most Asian foreign policy officials and experts see a deep U.S. presence in the region as critical to stability, and many seek U.S. support for stronger rules-based security and economic structures. At the same time, the vision of a regional "Cold War" between Beijing and Washington is disturbing to China's neighbors.²²

Opportunity Costs in Other Regions of the Globe

Increasing the relative importance of the Asia-Pacific in U.S. policy could conceivably diminish U.S. capabilities in other regions. In particular, in an era of constrained U.S. defense resources, an increased U.S. military emphasis on the Asia-Pacific region might result in a reduction in U.S. military presence or capacity in other parts of the world, which in turn could increase risks for the United States in those other regions. While the United States does not want to reduce its commitments in the Middle East, for instance, forces similar to those needed in Asia are also required there. High priority capabilities in both regions include short- and medium-range missile defense, rotational naval deployments and air attack forces, and rapid-reaction ground forces. Such forces may be strained by simultaneous demands in both regions.

The Framing and Credibility of the "Pivot"

The high-profile manner in which the "Pacific Pivot" initiatives have been unveiled—through a series of Presidential and Cabinet-level trips, announcements, speeches, and articles—appears to have been designed to call as much attention to them as possible. (See "Selected Documents and Speeches.") Part of the reason for this may have been to demonstrate to regional players the depth of the Administration's commitment and resolve.

This approach also carries the potential costs and risks. For example, the high profile that Obama Administration officials have given to the initiative could lead leaders in other regions to believe, rightly or wrongly, that the United States is disengaging, thereby eroding U.S. global influence.

Even the use of the term "pivot," which has persisted despite the Administration's later substitution of the term "rebalancing," could signal the changeability of U.S. policy priorities.²³

²¹ ASEAN's members are Brunei Darussalem, Burma (Myanmar), Cambodia, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand, and Vietnam.

²² For example, Indonesian Foreign Minister Marty Natalegawa said at a November 14 press briefing that, "ASEAN will not let the region become a competition arena for countries who consider themselves as big powers, whoever and whenever they may be." "New U.S. Base in RI's Backyard," *The Jakarta Post*, November 17, 2011.

²³ In the opening sentence of her November 2011 *Foreign Policy* article, "America's Pacific Century," Secretary Clinton stated, "as the war in Iraq winds down and America begins to withdraw its forces from Afghanistan, the United States stands at a pivot point." Later, she added, "As those wars [in Iraq and Afghanistan] wind down, we will need to accelerate efforts to pivot to new global realities." She concluded the article by saying "This kind of pivot is not easy, but we have paved the way for it over the past two-and-a-half years, and we are committed to seeing it through as among the most important diplomatic efforts of our time." That same month, in prepared remarks on the eve of the Asia-Pacific Economic Cooperation's (APEC's) Leaders' Meeting in Honolulu, Secretary Clinton also spoke at length about "America's pivot toward the Asia Pacific." "America's Pacific Century," Remarks by Secretary of State Hillary Rodham Clinton, East-West Center, Honolulu, HI, November 10, 2011.

For instance, when the Obama Administration first came to office, it sometimes appeared to put the U.S.-China relationship at the center of its Asia strategy. If that ever was Administration policy, such an approach has been abandoned. Also, if the United States pivots once, it can pivot again, perhaps if a successor administration adopts a different set of priorities. ²⁴

The depth of the Obama Administration's "rebalancing" toward the Asia-Pacific region also may be called into question as time goes on. As yet, it does not appear that the Administration has translated its pronouncements into an across-the-government plan to implement the new elements of the strategy. The Administration's budget request for FY2013 sends ambiguous signals. On the one hand, the proposed budget includes a 5% *decrease* for East Asia and Pacific (EAP) bilateral assistance programs below projected spending levels for FY2012. On the other hand, compared to some other aid regions, funding for EAP remains relatively stable. Overall assistance funding to Europe, Eurasia, and Central Asia (which includes Afghanistan), for example, is to fall by 18%, according to the FY2013 budget request.²⁵

Additionally, the prominence the Obama Administration has given to the initiative has undoubtedly raised the potential costs to the United States if it or successor administrations fail to follow through on public pledges. Chinese analysts have already expressed skepticism about the U.S. ability to follow through on the "pivot," given U.S. economic difficulties and the continuing turmoil in the Middle East, Afghanistan, and other areas. ²⁶ If such predictions come to pass, U.S. influence may fall farther and faster due to the Obama Administration's high profile announcements.

Military and Strategic Dimensions of "The Pivot"

The most high-profile and concrete elements of the Administration's announced "rebalancing" toward the Asia-Pacific have come in the military realm. In addition to the new U.S. deployments to Australia and Singapore, administration officials have announced they will "of necessity rebalance [the U.S. military] toward the Asia-Pacific region." Moreover, President Obama, Secretary of Defense Leon Panetta and other Administration officials have stated that, notwithstanding reductions in planned levels of U.S. defense spending resulting from the Budget Control Act of 2011 (P.L. 112-25), the United States intends to maintain and strengthen its military presence in the region. President Obama emphasized this point during his November 2011 speech to the Australian Parliament:

As we consider the future of our armed forces, we've begun a review that will identify our most important strategic interests and guide our defense priorities and spending over the

²⁴ Michael Green and Dan Twining, "Dizzy Yet? The Pros and Cons of the Asia 'Pivot,'" posted on *Foreign Policy* magazine's Shadow Government blog, November 21, 2011.

²⁵ U.S. Department of State, "Executive Budget Summary: Function 150 and other International Programs, Fiscal Year 2013," February 13, 2012.

²⁶ See, for example, Luo Yuan, "United States May Lose the Whole Game Due to its Three Wrong Decisions," *Renmin Wang (in Chinese; Open Source Center translation)*, November 29, 2011. "Where is the energy and strength to expand into the Asia-Pacific region and stick its nose into the South China Sea?" asks Luo, an outspoken military scholar with the rank of Major General. "It is better for the United States to get its own house in order and prevent its people from coming under attack by terrorists."

²⁷ Department of Defense, "Sustaining U.S. Global Leadership: Priorities for 21st Century Defense," January 2012, p. 2, at http://www.defense.gov/news/Defense_Strategic_Guidance.pdf.

coming decade. So here is what this region must know. As we end today's wars, I have directed my national security team to make our presence and mission in the Asia Pacific a top priority. As a result, reductions in U.S. defense spending will not—I repeat, will not—come at the expense of the Asia Pacific.²⁸ [emphasis added]

Beyond new deployments and the identification of the region as a high-priority area for the DOD, several features of the approach are notable:

- A broader distribution of forces: One aim of the rebalancing effort, which accelerates changes underway since the George W. Bush Administration, is to make the U.S. defense posture in Asia "more broadly distributed," as President Obama has stated, by strengthening the U.S. military presence in the southern part of the western Pacific. The guiding premise appears to be that it is much more advantageous to the United States, and a better reflection of the way in which states in the region view their interests, to strengthen the U.S. military presence in the increasingly vital southern part of the region on the basis of a much more flexible model than in Northeast Asia. As discussed below, it is unclear to what extent the "pivot" is linked to the controversial plan to build up U.S. forces on the island of Guam. In the National Defense Authorization Act, P.L. 112-81, Congress zeroed out the Administration's request for the Guam military construction program pending a review of costs.
- Increased flexibility: The shift in focus toward the south will be carried out by what officials describe as a more "flexible" approach to deployments in the region, in which U.S. deployments will be smaller, more agile, expeditionary, self-sustaining, and self-contained. In contrast to a reliance on the large permanent bases in Japan and South Korea, U.S. forces in the south will carry out operations mainly through rotational deployments of military units of various kinds to different parts of the region. Measures to sustain the U.S. presence include a substantially expanded and widely varied range of naval access agreements; expanded training exercises; and other, diverse means of engagement with foreign militaries. The model seeks to avoid large expenditures on permanent new bases and to build security systems that are less rigid than Cold War, European-style treaty regimes.
- Enhancing partners' capabilities: A corollary effort is strengthening the independent security capacity of key "partner states" through more flexible security assistance mechanisms and through cooperative counter-terrorism, counter-drug, and counter-insurgency operations. The White House and DOD have stressed their desire to increase training and joint exercises with allies and new military partners, in order to "ensure collective capability and capacity for

²⁸ Texts of remarks by President Obama to the Australian Parliament, November 17, 2011, accessed at http://www.whitehouse.gov/the-press-office/2011/11/17/remarks-president-obama-australian-parliament.

²⁹ Prior to the November 2011 announcements, U.S. forces stationed in allied countries in the Western Pacific were concentrated mostly in the northern part of the region, in Japan and South Korea. These deployments were established during the Cold War primarily to counter perceived military threats from the Soviet Union and North Korea.

³⁰ For more, see CRS Report RS22570, Guam: U.S. Defense Deployments, by Shirley A. Kan.

³¹ Remarks by Lt. General Wallace Gregson, Jr. (Ret.) at Brookings Institution Conference, "Understanding the U.S. Pivot to Asia," January 31, 2012, Transcript Available at http://www.brookings.edu/events/2012/0131_us_asia.aspx.

securing common interests."32 As part of this move, the U.S. is reinvigorating its formal U.S. alliances—particularly those with Australia, Japan, the Philippines, and South Korea—and the relationship with close strategic partner Singapore. Simultaneously, the Obama Administration is expanding the George W. Bush Administration's push to diversify the range of U.S. partners to include India, Indonesia, New Zealand, and Vietnam.

Military and Strategic Costs, Benefits, and Other Considerations

The most significant military and strategic implications of the "Pacific Pivot" derive from the higher priority DOD plans to give to the Asia-pacific region (discussed above) and from the increased concern among U.S. and Asian strategic planners about China's military modernization.

Greater Priority to the Navy

One of the most obvious implications, reflected the January 2012 "Strategy Review," has been to minimize cuts in the size of the Navy, with U.S. force reductions focused, instead, very heavily on Army and Marine ground forces.³³ To the extent the strategy implies any reductions in regional commitments, it appears to be in Europe—where two of four Army brigades are now planned to be withdrawn—and in other regions, such as Africa and Latin America, where rotational deployments may be constrained in favor of security force assistance to local militaries. A key premise of the new strategy is to place less emphasis on long-duration counter-insurgency or "stability" operations and instead place more emphasis on future challenges. Significantly, criticism of this change in Administration policy has, on the whole, been relatively muted.

The strategy quite explicitly rejects all but some relatively minor reductions in naval forces, reflecting the maritime character of the Pacific as a theater of operations. Among other things the strategy:

- endorses the continued deployment of 11 aircraft carriers—it had been widely expected that the Administration would eliminate a refueling overhaul of one carrier, leaving 10 in the force, but that plan was rejected;
- supports continued production, with only a temporary slowdown, in production of attack submarines, and development of a new cruise missile that can be deployed in fairly large numbers on submarines;

troops—and units—required to be sustained as a rotation base for regular deployments abroad. For each brigade now not expected to be needed for overseas deployments, three active duty units are no longer necessarily required in the

Congressional Research Service

force.

³² Department of Defense, "Sustaining U.S. Global Leadership: Priorities for 21st Century Defense," January 2012, pg.2, at http://www.defense.gov/news/Defense Strategic Guidance.pdf.

³³ Substantial cuts in ground forces—from about 570,000 active duty Army troops to about 490,000 and from 202,000 Marines to about 180,000—are planned. The DOD review formally eases requirements that U.S. forces be able to prevail in two, nearly simultaneously major theater wars, which reduces the need for ground forces, and, to a degree, tactical Air Force requirements. Now U.S. forces are not required to prevail in a second operation overlapping with a first, but only to deny an adversary in a second conflict the ability to achieve its objectives. The strategy review also substantially reduces requirements that ground forces be large enough to sustain as many troops engaged abroad as were committed in Iraq and Afghanistan. The reduced requirement, in turn, allows a substantial cut in the number of

- calls for continued production of a broad range of naval ship types, including relatively "high-end" Aegis radar-equipped destroyers and, though in somewhat reduced numbers, of the Littoral Combat Ship (LCS), a relatively small, maneuverable vessel for a variety of lower-end missions; and
- Includes plans to sustain the projected total number of amphibious ship for the Marine Corps at 33 ships. Some have called for a larger number of ships—the Marine Corps goal, for instance, has wanted 38 ships—but 33 has long been, and will now remain, the actual program.

Budgetary Pressures

Plans to restructure U.S. military deployments in Asia may run up against more restrictive budget constraints than plans yet assume, and may also raise a number of policy issues.³⁴ A critical issue is whether long-term procurement trends will sustain a level of investment spending in new weapons systems sufficient to support planned naval force levels in the Pacific and elsewhere. For example, there is considerable concern that long-term Navy budgets will not sustain a Navy of 313 ships, as called for in recent plans.³⁵

Additionally, looming automatic spending cuts laid out in the Budget Control Act of 2011 (P.L. 112-25/S. 365 of August 2, 2011) would entail significant and precipitous reductions in military end-strength, and operational and training funds, as well as delays in investments. ³⁶ Automatic cuts in spending would be particularly disruptive to defense planning. Even if future cuts are more rationally allocated, additional reductions might well entail further cuts in the size of U.S. military forces.

³⁴ For the present, the Defense Department is planning to absorb cuts of just under \$500 billion, compared to earlier budget projections, over the 10 year period from FY2012-FY2021 as a means of achieving savings. The Administration's FY2013-FY2017 defense plan projects relatively large cuts in funding for weapons procurement.

³⁵ See, for instance, Jonathan Greenert, "Navy, 2025: Forward Warfighters," *U.S. Naval Institute Proceedings*, December 2011: 20 and 22.

³⁶ Specifically, if Congress is not able to agree on steps to cut deficits by an additional \$1.2 trillion, automatic spending cuts will be made, amounting to about \$55 billion a year in defense over the 9 years from FY2013-FY2021.

The Controversies over U.S. Bases in Okinawa and Guam

For years, the United States and Japan have been wrestling with controversy over a multi-year DOD effort to realign some of the land-based U.S. forward presence in the region by relocating the Futenma Marine air base on Okinawa to another part of the island and by shifting several thousand Marines from Okinawa to new facilities in the U.S. territory of Guam. The planned relocation is the centerpiece of a broader agreement reached between the United States and Japan in 2006 in order to reduce the burden on Okinawa and make the alliance more politically sustainable in Japan. Okinawa hosts the majority of U.S. troops in Japan.

Tokyo's ability to implement the 2006 agreement and move the Marine operations from the Futenma base to a new base in the Henoko Bay remains uncertain because of obstacles in both Okinawa and Washington. Public opposition has hardened considerably in Okinawa, with all the major political figures involved in the permit process declaring opposition to the plan. In Washington, concern about the ballooning costs of the Guam construction drove Congress to zero out the Administration's request for military construction funding in the National Defense Authorization Act, P.L. 112-81. Section 2207 prohibits funds authorized under the act, as well as amounts provided by the Japanese government military construction activities on land under DOD's jurisdiction, from being obligated to implement the planned realignment of Marine Corps forces from Okinawa to Guam until certain actions are taken. In February 2012, the United States and Japan agreed to transfer some Marines out of Okinawa before the proposed relocation of the Futenma base, but the fundamental question of the durability of maintaining Marine facilities in Japan remains unclear.

It is also unclear how crucial the planned Okinawa-to-Guam relocation is to the DOD's "rebalancing" to the Asia-Pacific region. For years, observers have warned that an accident or crime associated with a U.S. military base in Okinawa could exacerbate local resentment against the U.S. presence and lead to pressure for a reduced presence of soldiers, particularly Marines, in the prefecture. If the relocation agreement remains stalled, a cloud may continue to hang over the alliance, despite the shared strategic concerns of Tokyo and Washington. A strained U.S.-Japan alliance diminishes U.S. influence in Asia, due to the size of the U.S. forward presence in Japan and to the regional weight of Japan, the region's second-largest economy. For more on Okinawa and the U.S.-Japan alliance, see CRS Report RL33740, *The U.S.-Japan Alliance*, by Emma Chanlett-Avery, and CRS Report RL33436, *Japan-U.S. Relations: Issues for Congress*, coordinated by Emma Chanlett-Avery.

A related budgetary issue is that the number of U.S. troops sustained in Japan and Korea may, over time, prove to be more of a drain on U.S. flexibility than the United States will continue to see as worthwhile. In recent years, the cost of sustaining and reorganizing U.S. deployments both in Japan and in South Korea has come into question. In Japan, the costs and schedule for redeploying U.S. Marines in Okinawa to new facilities remain unresolved, and many in the Congress have raised concerns about the cost of deploying Marines from Okinawa to Guam. (See Text Box.) In the case of South Korea, there have been similar concerns in the United States about the high cost of measures to move U.S. military units to more defensible facilities away from the demilitarized zone and to build new facilities to accommodate U.S. military families. Japanese and South Korean military planners are concerned that the United States may ask both allies to bear a greater share of the costs for U.S. deployments to both countries. 38

The relatively high cost of new facilities in Japan and Korea has, in turn, begun to raise more general questions in Congress about the cost and value of forward basing of U.S. troops. As a rule, the incremental cost of deploying troops abroad, rather than at U.S. bases, is not very great. But the relatively high cost of a relatively limited number of new infrastructure investments—in Japan, Guam, South Korea, and also Germany—is far outpacing day-to-day operating costs.³⁹

³⁷ There are approximately 38,000 U.S. military personnel in Japan, including Marines, Army, Navy, and Air Force elements. In South Korea, there are roughly 27,000 U.S. troops, drawn mainly from the Army. For more, see CRS Report R41481, *U.S.-South Korea Relations*, coordinated by Mark E. Manyin.

³⁸ For more on this point, see Bruce Klingner, "The Missing Asia Pivot in Obama's Defense Strategy," January 6, 2012, at http://www.heritage.org/research/reports/2012/01/the-missing-asia-pivot-in-obamas-defense-strategy.

³⁹ A common estimate is that it costs 10 to 20% more for direct pay and operating costs of U.S. forces to deploy troops overseas, which would amount to no more than \$2 billion to \$4 billion worldwide in added costs for all U.S. forces (continued...)

Recently, Congress has required the Defense Department to review costs of the planned move to Guam and has limited the obligation of funds pending a review. Thus, the U.S. effort to increase deployments of forces in the rest of Asia may, if anything, make it more important to resolve basing issues in Japan and South Korea.

Do the Strategy and Resources Match?

It remains uncertain whether the choices reflected in the Obama Administration's 2012 Strategy Review will, in themselves, be fully sufficient to reconcile global commitments and resources. Even without further cuts in the size of the Navy, for instance, a critical issue may be whether planned force levels are sufficient to sustain projected commitments both to the Asia-Pacific theater and to the Middle East/Persian Gulf, particularly if regional crises require a surge of force into either region. Very similar kinds of capabilities may be required in each region, potentially including capabilities in assets such as long-range precision strikes as well as intelligence, surveillance, and reconnaissance systems. Also, a high priority focus in U.S. plans on projecting power abroad may lead to less emphasis on defensive missions to protect the homeland and overseas assets. Furthermore, a key strategy issue may be whether defense plans take adequate account of U.S. vulnerabilities, such as cyber war, satellites, attacks on forward-deployed forces, the use of large numbers of cruise and ballistic missiles to saturate defenses, and attacks on the U.S. homeland.

China's Military Modernization as a Driving Force Behind the Changes

The Administration's identification of the Asia-Pacific as a high-priority region for DOD and its announced intention to maintain and strengthen the U.S. military presence in the region come in the midst of a long term, large expansion of China's military and China's frequently assertive behavior regarding its contested maritime territorial claims in the South and East China Seas. How the United States should respond to China's military modernization effort has emerged as a key issue in U.S. defense planning. DOD states that "China's rise as a major international actor is likely to stand out as a defining feature of the strategic landscape of the early 21st century," and that China's military "is now venturing into the global maritime domain, a sphere long dominated by the U.S. Navy."

In response, U.S. defense planners increasingly have focused on addressing military-technological challenges that are often attributed to China. Efforts to improve U.S. capabilities to defend access to space and to cyberspace, along with steps to counter regional anti-access strategies, have been key priorities since at least the 2010 Quadrennial Defense Review. In general, U.S. threat assessments quite commonly see China as systematically attempting to develop means of exploiting U.S. military vulnerabilities through "asymmetric" attacks on critical

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deployed permanently abroad. DOD estimates total personnel, operating, and military construction costs of about \$22 billion in FY2012 for all forces deployed abroad, including \$5.1 billion in Japan and \$3.1 billion in South Korea. Incremental costs of 20%, if that large, would total about \$1 billion in Japan and \$700 million in Korea. See Department of Defense, *Operation and Maintenance Overview, Fiscal Year 2013*, February 2012, pp. 199-202.

^{(...}continued)

⁴⁰ For a report discussing the naval aspects of this issue, see CRS Report RL33153, *China Naval Modernization: Implications for U.S. Navy Capabilities—Background and Issues for Congress*, by Ronald O'Rourke.

⁴¹ U.S. Department of Defense, *Annual Report to Congress [on] Military and Security Developments Involving the People's Republic of China 2011*. Washington, 2011. Executive summary and p. 1.

U.S. military assets. Attacks on U.S. communications links in cyberspace, or on U.S. satellite-based communications, surveillance, and targeting systems, could potentially degrade the U.S. ability to manage military operations. Although China is by no means the only potential source of such challenges and U.S. views differ on the extent of the military challenge China poses, worries about China's evolving military capabilities have become a primary focus of U.S. military development plans.

Air-Sea Battle Concept

Among the strategic initiatives that the Department of Defense has been developing, apparently with the Asia-Pacific in mind, is a new Air-Sea Battle (ASB) concept that is intended to increase the joint operating effectiveness of U.S. naval and Air Force units, particularly in operations for countering anti-access strategies. The ASB development effort was announced in the administration's 2010 Quadrennial Defense Review (QDR). Although little of an authoritative nature has been reported about the ASB concept, many observers believe it is focused to a large degree, if not principally, on countering Chinese and Iranian "anti-access" forces. Progress in pursuing Air-Sea Battle has been a focus of considerable interest in Congress.

Section 1080 of the FY2012 National Defense Authorization Act (P.L. 112-81) requires DOD to submit a report on the ASB concept and a plan for implementing it. Section 1232 requires the Government Accountability Office (GAO) to review and report on Iran's and China's conventional anti-access capabilities and the U.S. ability to overcome them. Section 1238 amends the standing requirement for an annual report on military and security developments involving China to require the addition of a discussion of China's cyber activities directed against DOD.

Diplomatic Dimensions of the "Pivot"

In addition to strengthening U.S. alliances and building deeper relationships with emerging partners there are two other major strands of the Obama Administration's Asia-Pacific diplomacy, both of which are significant elements of the "rebalancing" effort:

- Deepening engagement with Asia-Pacific multilateral institutions; and
- Successfully managing the U.S.-China relationship.

These efforts build on the Administration's efforts, begun in 2009, to upgrade U.S. diplomatic visibility and presence in East Asia. As shown in **Table 2**, in her first three years in office, Secretary of State Clinton made far more visits to countries in East Asia and the Pacific than her three predecessors.

⁴² Anti-access/area-denial (A2/AD) forces are military forces that are designed to make it difficult for an outside military power, such as the United States, to move its military forces into an area and conduct military operations there.

⁴³ For more on the 2010 QDR, including the ASB and other initiatives for countering anti-access forces, see CRS Report R41250, *Quadrennial Defense Review 2010: Overview and Implications for National Security Planning*, by Stephen Daggett.

⁴⁴ DOD held a background briefing on the Air-Sea Battle concept on November 9, 2011, but the briefing provided very few specific details about the concept. The transcript of the briefing is available at http://www.defense.gov/transcripts/transcript.aspx?transcriptid=4923. For a blog entry commenting on the relative lack of specific details provided at the briefing, see Colin Clark, "Air-Sea Battle: What's It all About, Or Not," *AOL Defense* (http://defense.aol.com), November 10, 2011.

Table 2. Secretaries of State Visits to Foreign Countries by Region,
Albright through Clinton

Region	Clinton Total, First Three Years	Clinton First Three Years, %	Rice Total, First Three Years	Rice First Three Years, %	Powell Total, First Three Years	Powell First Three Years, %	Albright Total, First Three Years	Albright First Three Years, %
Africa	13	7.1%	4	2.2%	14	9.0%	14	7.1%
East Asia & Pacific	36	19.7%	18	9.8%	21	13.5%	26	13.2%
Europe & Eurasia	54	29.5%	64	35.0%	48	31.0%	100	50.8%
Near East	30	16.4%	63	34.4%	41	26.5%	39	19.8%
South & Central Asia	17	9.3%	13	7.1%	11	7.1%	2	1.0%
of which India	1		4		1		1	
Western Hemisphere	33	18.0%	21	11.5%	20	12.9%	16	8.1%
Totals	183	100.0%	183	100.0%	155	100.0%	197	100.0%

Source: Compiled by CRS Information Research Specialist Hannah Fischer from Department of State's Secretary of State travel websites. For Secretary of State Clinton: http://www.state.gov/secretary/trvl/index.htm. For Secretary of State Rice: http://history.state.gov/departmenthistory/travels/secretary/rice-condoleezza. For Secretary of State Powell, http://history.state.gov/departmenthistory/travels/secretary/powell-colin-luther. For Secretary of State Albright, http://history.state.gov/departmenthistory/travels/secretary/albright-madeleine-korbel.

Notes: Numbers represent visits to individual countries. For instance, in her first three years in office, Secretary Clinton visited 36 countries, including some more than once, in the East Asia & the Pacific region. Areas of the world were determined using the Department of State's bureau divisions.

Multilateral Diplomacy

Of those goals, perhaps the most prominent policy shift has been the intensified effort to expand and upgrade U.S. participation in multilateral Asian and Asia-Pacific institutions such as the ASEAN Regional Forum (ARF), a regular security dialogue among 27 nations, and the East Asia Summit (EAS). Over the past 15 years, other powers have made concerted efforts to develop and shape regional groupings—with China one of the most enthusiastic proponents of regional dialogues and free trade agreements. Some analysts have feared that emerging regional diplomatic and economic architectures could exclude the United States.

Also, in the Obama Administration's view, regional institutions present an opportunity for the United States to meet the goals laid out by National Security Advisor Donilon, of helping to shape the security and economic development of the region, and of retaining a central role in discussions over a broad range of issues, from maritime security and non-proliferation, to the liberalization of trade and investment across the region. Moreover, leaders in the region, particularly in Southeast Asia, generally *prefer* that U.S. engagement in East Asia be anchored in a strong U.S. commitment to the region's multilateral institutions.

⁴⁵ The EAS's members are ASEAN's ten nations, as well as Australia, China, India, Japan, New Zealand, Russia, South Korea and the United States.

⁴⁶ See, for instance, Evan Feigenbaum and Robert Manning, *The United States in the New Asia*, Council on Foreign Relations, November 29, 2009.

Starting with its 2009 decision to sign the Treaty of Amity and Cooperation (TAC) with ASEAN, the Obama Administration has pursued a range of policies that have deepened U.S. participation in regional organizations, a process that led to President Obama's inaugural attendance at the EAS in November 2011.⁴⁷ The United States has also sought regional cooperation on nuclear non-proliferation and disaster preparedness through its engagement in security-related multilateral institutions, and regional agreements on trade facilitation initiatives through APEC. The Administration has sought Economic Support Fund (ESF) funding for assistance to ASEAN for the strengthening of its Secretariat, as well as education, disaster-preparedness, transnational crime and anti-corruption programs in the region. It has also sought funding to assist disaster preparedness programs under the ASEAN Regional Forum.

U.S.-China Relations

The Obama Administration can be said to have adopted a two-pronged approach to China: reaffirming and strengthening cooperative ties while simultaneously establishing a strong and credible American presence across Asia to encourage constructive Chinese behavior and to provide confidence to regional leaders who wish to resist potential Chinese regional hegemony. In the Administration's early statements about the "pivot" toward the Asia Pacific, it often seemed that the second prong was more prominent. However, before a February 2012 White House meeting with Chinese Vice President Xi Jinping, who is anticipated to replace Hu Jintao as president later this year, President Obama sought to restore a balance between the two prongs, stating that for the United States to strengthen relationships in the region, boost trade and commerce, and be "a strong and effective partner with the Asia Pacific region ... it is absolutely vital that we have a strong relationship with China." Seeking to reassure China, Obama also said he has "always emphasized that we welcome China's peaceful rise, that we believe that a strong and prosperous China is one that can help to bring stability and prosperity to the region and to the world."

At an official level, China has so far responded relatively cautiously to the U.S. shift in regional emphasis. In remarks during his February 2012 U.S. trip, Vice President Xi said, "China welcomes a constructive role by the United States in promoting peace, stability and prosperity in the Asia-Pacific," while, "At the same time, we hope the United States will respect the interests and concerns of China and other countries in this region." Also notable is wording in Chinese Premier Wen Jiabao's annual report to China's parliament, delivered on March 5, 2012, stating that, "peace, development, and cooperation remain the underlying trends of the times, and overall the situation is favorable for China's peaceful development." That official Chinese assessment of the international environment facing China was similar to the assessment contained in the

⁴⁷ The effort to increase the multilateral dimension of U.S. policy in Southeast Asia began during the George W. Bush Administration. However, many of the Bush Administration's initiatives—which included becoming the first country to appoint an ambassador to ASEAN—were undermined by a belief among Southeast Asian elites that the United States lacked a strong commitment to ASEAN and Southeast Asia. The piece of evidence cited most often by critics was former Secretary of State Condoleezza Rice's decision to not attend two of the four ASEAN Regional Forum (ARF) Foreign Ministerial meetings during her tenure.

⁴⁸ President Barack Obama and Vice President Xi Jinping, *Remarks by President Obama and Vice President Xi of the People's Republic of China Before Bilateral Meeting*, White House Office of the Press Secretary, February 14, 2012, http://www.whitehouse.gov/the-press-office/2012/02/14/remarks-president-obama-and-vice-president-xi-peoples-republic-china-bil.

⁴⁹ Vice President Xi Jinping, "Remarks by Chinese Vice President Xi Jinping at a Luncheon Co-hosted by the U.S.-China Business Council and the National Committee on U.S.-China Relations," *Federal News Service*, February 15, 2012.

Premier's 2011 report, suggesting that, so far at least, China does not consider the U.S. announcement of the rebalancing to Asia to have significantly eroded China's external environment.⁵⁰

The Chinese military, which often takes a more critical view of the United States than the civilian leadership, has used sharper language. Responding to reports of the planned deployment of U.S. Marines to Darwin, Australia, China Defense Ministry Spokesman Senior Colonel Geng Yansheng said that any moves to strengthen military alliances in the region reflect a "Cold War mentality" and are "detrimental to the mutual trust and cooperation between countries in the region." Unofficial commentary in China has been even more sharply critical of the pivot and it is possible that the Chinese leadership may eventually feel pressure to take a harder position in response to public opinion. U.S. officials will likely be watching closely for changes in language related to foreign and military policy in a key policy document the Communist Party will unveil at a once-in-five-years Congress scheduled for later this year.

Diplomatic Benefits and Risks

One potential benefit of strengthening U.S. participation in regional institutions will be that it likely builds confidence among Asian nations in the strength of U.S. engagement in the region. Prior to 2009, Southeast Asian diplomats frequently noted that other nations, including China and Japan, gave ASEAN meetings a considerably higher diplomatic commitment than did the United States. Indeed, in some Southeast Asian countries, one of the largest irritants to *bilateral* relations with the United States was the fact that the United States was perceived as insufficiently engaged with multilateral bodies. More broadly, upgrading U.S. multilateral diplomacy in the region has helped to improve the U.S. image and make many East Asian leaders, particularly in Southeast Asia, more welcoming of a greater U.S. role in the region. Furthermore, by routinely participating in leaders' and Cabinet-level officials' meetings such as the EAS, the Obama Administration has

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⁵⁰ Premier Wen Jiabao, *Report on the Work of the Government*, Delivered at the 5th Session of the 11th National People's Congress, March 5, 2012. The language from his 2011 report was, "From an international perspective, world multipolarization and economic globalization are deepening, and peace, development and cooperation remain the current of the times." Premier Wen Jiabao, *Report on the Work of the Government*, Delivered at the 4th Session of the 11th National People's Congress, March 5, 2011, http://www.china.org.cn/china/NPC_CPPCC_2011/2011-03/15/content 22143099.htm.

⁵¹ Ministry of National Defense of the People's Republic of China, "Transcript of regular news conference of PRC Ministry of National Defense held at the Ministry of National Defense Information Affairs Office in Beijing on 30 November 2011." Translation by Open Source Center.

⁵² See for example, an editorial aimed at U.S. allies and partners in Asia in the English edition of a popular tabloid, the Global Times, which proposed punishing countries that appear to be lining up behind the United States against China. "Any country which chooses to be a pawn in the U.S. chess game will lose the opportunity to benefit from China's economy. That will surely make U.S. protection less attractive," the paper warned. The same editorial asserted that, "China has more resources to oppose the U.S. ambition of dominating the region than the U.S. has to fulfill it." "U.S. Asia-Pacific Strategy Brings Steep Price," *Global Times Online (in English)*, November 17, 2011

⁵³ U.S. Alliances and Emerging Partnerships in Southeast Asia: Out of the Shadows, Center for Strategic & International Studies, July 2009, csis.org/files/publication/090710_southeast_asia_alliances_partnerships.pdf. Many of the Bush Administration's initiatives, which included becoming the first country to appoint an ambassador to ASEAN, were undermined by a belief among Southeast Asian elites that the United States lacked a strong commitment to ASEAN and Southeast Asia. The piece of evidence cited most often by critics was former Secretary of State Condoleezza Rice's decision to not attend two of the four ARF Foreign Ministerial meetings during her tenure. Considerable attention also was focused on President Bush's decision to cancel the scheduled U.S.-ASEAN Summit in September 2007 to focus on the security situation in Iraq.

raised costs to it and successor administrations of not participating in the future, thereby helping to lock in U.S. engagement in the future.

One test of the Administration's commitment to greater participation may come in the summer of 2012, when the White House will confront a decision about whether President Obama will attend an annual summit meeting of the Asia-Pacific Economic Cooperation (APEC) forum in Vladivostok, Russia. The Leaders' Meeting will occur during the first week of September, about two months before U.S. presidential and congressional elections. Since 1993, U.S. Presidents have attended every APEC Leaders' Meeting. Another regional heads of state meeting, the East Asia Summit, will occur in Cambodia in late 2012, likely in November after the U.S. elections. The third annual U.S.-ASEAN summit, a gathering that was inaugurated by President Obama and his ASEAN counterparts in 2009, is expected to be held around the same time.

Framing a policy "pivot" around a set of actions that notably do not include China risks complicating diplomatic engagement with Beijing. For as long as the United States has pledged its support for what Washington now describes as "a strong, prosperous, and successful China that plays a greater role in world affairs," many in China have suspected that the United States government might really harbor grave misgivings about China's rise. Now that prosperity, a degree of military might, and global respect are within China's reach, many of those same people have a deep-seated fear that the United States, feeling its supremacy challenged, may shift from a public stance supporting China's rise to a policy of containment. Additionally, the announcement of the U.S. policy shift has come at a time of transition in China, when the Chinese Communist Party is winnowing down candidates for a raft of top Party positions and is drafting a key document that will set the direction for the Party's policies over the next five years. Concern in China over the Obama Administration's intentions could play into both those processes, potentially producing new leaders and a new policy direction that throw up a set of new challenges for the Sino-U.S. relationship.

Political risks abound in both short and long term. Several countries with which the U.S. has had very close cooperation over the past several years face the potential of political transition in 2012. Uncertainties over U.S. electoral prospects, as well as those in Seoul, Malaysia, the upcoming political transition in China, and the unfolding political succession in North Korea, could considerably shift priorities in the region.

Economic Aspects of the "Pivot"

Economics and trade are both causes of and instruments for the pivot toward the Asia-Pacific. Historical trends and most future projections indicate that the greater Asia-Pacific region is rising in importance in the global economy and world trade. The region has been actively pursuing greater economic integration at a pace exceeding that of other parts of the globe. As shown in "The Economic Rise of Asia," the Asia-Pacific region has become more vital to the global and U.S. economies as well. Accordingly, the Obama Administration has increased the U.S. focus on economic and trade relations in the Asia-Pacific. Among other motivations, the region plays a crucial role in President Obama's National Export Initiative. Four of the ten emerging export

⁵⁴ President was criticized for leaving the 2007 APEC Leaders' Meeting in Sydney, Australia, early.

⁵⁵ For purposes of this section of the report, the greater Asia-Pacific region includes East Asia, South Asia, Southeast Asia, and Oceania (including Australia and New Zealand), but excludes Central Asia.

markets targeted in the 2011 National Export Strategy – China, India, Indonesia, and Vietnam – are part of the Asia-Pacific region. ⁵⁶ Additionally, heightened U.S. economic engagement – for instance, through participating in the Trans-Pacific Partnership (TPP) FTA talks – demonstrate that the United States wishes to remain a major force in the region's economic and geopolitical dynamics.

Significant elements of the Obama Administration's trade policy in the region are a continuation of policies of the Clinton and George W. Bush Administrations. Both previous Administrations supported the granting of normal trade relations (NTR) and membership in the World Trade Organization to China, Taiwan, and Vietnam. Additionally, President Clinton elevated the importance of the Asia-Pacific Economic Cooperation forum in 1993 and initiated FTA negotiations with Singapore that eventually were concluded under the Bush Administration.⁵⁷ President Bush concluded a similar agreement with Australia, initiated ultimately unsuccessful FTA negotiations with Malaysia and Thailand, signed an FTA with South Korea, and announced the intent to enter into talks with the existing TPP. Indeed, the Obama Administration's decision to pursue the South Korea-U.S. FTA (which was successful, after some modifications were negotiated) and the TPP shows the continuity of the United States' FTA policy in Asia.⁵⁸

Regional dynamics will likely determine the extent to which future regional economic integration will follow a path consistent with a U.S.-style free trade agreement (a binding, comprehensive agreement that liberalizes trade and investment only to parties to the agreement) or an alternative path involving agreements narrower in scope, open to all of Asia while possibly excluding the United States, and more accommodating to sensitive domestic political constraints. Whether the United States is included in or excluded from any future broader Asia-Pacific economic agreement will almost certainly have implications for U.S. strategic and diplomatic relations in the region.

The importance of U.S. economic interests in the Asia-Pacific region has significant security and military implications. With an increasing volume of U.S. exports and imports flowing in and out of the region, it has become critical that the United States maintains free navigation from the Arabian Sea across to the eastern edge of the Pacific Ocean. This has been one of the arguments made for U.S. interest in a peaceful resolution of the territorial disputes over the South China Sea.

Asia's Regional Economic Integration

According to some analysts, U.S. interest in negotiating an expanded TPP was spawned by concerns that the United States could be left out of an emerging, highly-integrated and rapidly growing Asian economy. Asian nations have been actively pursuing greater economic integration at a pace not seen elsewhere in the world. According to one study, the number of FTAs in Asia

⁵⁶ Trade Promotion Coordinating Committee, 2011 National Export Strategy, June 2011.

⁵⁷ For more information, see CRS Report RL34315, *The U.S.-Singapore Free Trade Agreement: Effects After Five Years*, by Dick K. Nanto; and CRS Report RL31789, *The U.S.-Singapore Free Trade Agreement*, by Dick K. Nanto.

⁵⁸ For more information about these FTA negotiations, see CRS Report RL32375, *The U.S.-Australia Free Trade Agreement: Provisions and Implications*, by William H. Cooper; CRS Report RL33445, *The Proposed U.S.-Malaysia Free Trade Agreement*, by Michael F. Martin; CRS Report RL32314, *U.S.-Thailand Free Trade Agreement Negotiations*, by Raymond J. Ahearn and Wayne M. Morrison; CRS Report RL34330, *The U.S.-South Korea Free Trade Agreement (KORUS FTA): Provisions and Implications*, coordinated by William H. Cooper; and CRS Report R40502, *The Trans-Pacific Partnership Agreement*, by Ian F. Fergusson and Bruce Vaughn.

rose from three in 2000 to 61 in 2010, with another 79 being negotiated or under discussion. Multiple models for greater regional economic integration have been in the works for many years. In addition to the TPP, the economies of the Asia-Pacific region have explored integration via APEC, the "ASEAN+3" model (a multilateral FTA including the 10 members of ASEAN plus China, Japan, and Korea), and the "ASEAN+6" model (the 10 ASEAN members, plus Australia, China, India Japan, Korea, and New Zealand). In 2007, the 10 members of ASEAN committed to establishing an ASEAN Economic Community by 2015, in which ASEAN is to form "a single market and production base." If successful, the ASEAN Economic Community, combined with ASEAN's existing and proposed bilateral free trade agreements with many of its neighboring economies, may also form the basis for regional economic integration.

The Importance of the TPP

U.S. efforts to proactively influence the region's path toward economic integration are focused on the ongoing TPP negotiations. As envisioned by the Office of the U.S. Trade Representative, a free trade agreement between the nine negotiating parties – Australia, Brunei, Chile, Malaysia, New Zealand, Peru, Singapore, the United States, and Vietnam – will form the basis for a broader agreement that eventually could include all the economies of the Asia-Pacific region, including China. In addition, the structure of the TPP agreement would be modeled on past U.S. FTAs, but also elevated to a higher "21st century" standard, in that it could be expanded to include new members and that it includes new areas for discussion such supply chain management issues and regulatory coherence. Japan has begun consultations with the nine parties that could lead to its joining the negotiations. The participation of Japan, the world's third-largest economy and a regional power, would significantly raise the economic and strategic impact of the TPP. Canada and Mexico also have begun consultations to join the negotiations.

If successful, a broadly-based TPP could provide the United States with a number of economic, diplomatic, and strategic benefits. The trade agreement would increase U.S. access to the growing markets of Asia, help stimulate the growth in U.S. exports, generate export-related jobs, and foster an economic recovery, while enhancing the protection of U.S. intellectual property rights and ensuring that U.S. companies are competing in a more fair and impartial regional market. Diplomatically, the TPP agreement would demonstrate U.S. commitment and engagement in the region, plus help promote deeper ties with other member nations. Strategically, the potential risks associated with the transport of goods and services in the Asia-Pacific region would conceivably be reduced, as the TPP members would share a common interest in maintaining a reliable and safe flow of cargo across the Indian and Pacific Oceans.

While the potential benefits for the United States of a successful TPP and its expansion into a broader regional agreement are relatively clear, progress in the negotiations has been slowed by serious pressure from some of the negotiating parties. The United States has encountered resistance to its proposals regarding intellectual property rights and investor-state disputes. In addition, some of the countries are pushing the United States to offer greater access to U.S.

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⁵⁹ Masahiro Kawai and Ganeshan Wignaraja, "Asian FTAs: Trends, Prospects and Challenges," *Journal of Asian Economics*, 22 (2011), pp. 1-22.

⁶⁰ For more information, see CRS Report RL33653, East Asian Regional Architecture: New Economic and Security Arrangements and U.S. Policy, by Dick K. Nanto.

⁶¹ The ASEAN Secretariat, *ASEAN Economic Community Blueprint*, January 2008, http://www.aseansec.org/5187-10.pdf.

markets—particularly agricultural markets, such as dairy products and sugar. It remains to be seen if the negotiations can produce an agreement that is acceptable to the other nations while remaining politically viable to Congress. The TPP's prospect may also be harmed by the lack of trade promotion authority, complicating the U.S. Trade Representative's task in forging an agreement that will eventually win congressional approval.⁶²

If the TPP talks fail, it is uncertain how the Obama Administration will pursue U.S. economic interests in the region. To date, the United States has shown little interest participating in any of the alternative regional integration fora, such as the ASEAN+3 or ASEAN+6. The resumption of previous bilateral talks with Malaysia and Thailand, as well as new potential partners, such as Japan, are an option, but are unlikely to influence regional integration to the same extent as would the successful formation of the ASEAN Economic Community or the conclusion of an ASEAN+6 free trade agreement.

It is also unclear what impact the TPP will have on U.S. interest and participation in APEC. It appears that the Administration regards the former as the lead entity, with the latter a forum for exploring topics that traditionally have not been part of trade agreements. Among other items, such a prioritization could have implications for the regional standing of Taiwan because APEC is one of the few regional groupings to which Taipei is a full member.

The Role of China

Another critical economic trend in the region is the emergence of China as a hub for multi-country manufacturing. Improved and more efficient telecommunications and transportation infrastructure, trade and investment liberalization, and greater competition have significantly shifted the final assembly of many categories of consumer goods to China, with components and parts supplied by several other Asian economies. This has supported China's recent rapid economic growth and arguably contributed to China's perceived increased assertiveness in multilateral economic fora, including various international financial institutions.

China appears concerned about what it sees as U.S. efforts to dictate the terms of regional economic integration. The Chinese government has been one of the strongest proponents of the ASEAN+3 and ASEAN+6 model, and more recently has pursued trilateral talks with Japan and South Korea to form the basis of a possible broader pan-Asian trade agreement. In addition, China's leaders have been promoting the use of its currency, the renminbi, as an international currency for transactional purposes. While the renminbi does not currently pose a threat to the U.S. dollar as the primary global currency, the growing acceptance of the renminbi in Asia may signal China's potential to serve as the hub for an Asian economic community and regional interest in fostering such ties.

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⁶² CRS Report RL33743, *Trade Promotion Authority (TPA) and the Role of Congress in Trade Policy*, by J. F. Hornbeck and William H. Cooper

⁶³ For more information, see CRS Report R40167, Globalized Supply Chains and U.S. Policy, by Dick K. Nanto.

Implications for Congress

The Administration's "rebalancing" toward Asia and the Pacific comes in the midst of profound changes in global economic, political, and security relationships. The breadth of issues is as great as at any time in recent history, encompassing security relations, economics and trade, the U.S.' ability to compete and create jobs in the face of ever-stiffer global competition, global financial stability, and even fundamental questions about political and economic models, given the rise of China and other emerging economies.

In the context of such global challenges, a revitalized focus on Asia potentially reflects the Administration's willingness to make far-reaching strategic choices, involving judgments that explicitly downgrade concerns about some challenges to U.S. security, while elevating others. Whether the Administration has set the right priorities, whether its perceptions of global trends are sufficiently hedged, and whether the risks it is willing to countenance are appropriate, all are critical matters for Members of Congress to consider.

Budgetary Questions: One pervasive aspect of the "pivot" is the changes it implies for U.S. budget priorities, particularly in the regional distribution of those priorities. In its upcoming appropriations bills for FY2013, Congress will explicitly or implicitly address the fiscal implications of the Pacific Pivot.

Funding for troop deployments in Australia, and possibly for other military partnerships in Singapore, the Philippines, and elsewhere, needs congressional approval. Congress will also face decisions on funding for the Administration's plan for relocating the Marine air base on Okinawa to a different part of the island and for shifting several thousand Marines from Okinawa to the U.S. territory of Guam. Similarly, the Air-Sea Battle (ASB) concept being developed by the Defense Department will have budgetary implications that Congress may wish to consider. Congress may also debate new naval capabilities, such as more advanced cruise missiles on attack submarines, as well as the dispersal and hardening of forward-based forces, more long-range strike capacity, and enhancing both offensive and defensive measures for cyberwar and in space. On the broadest level, Congress will face questions about whether current plans for defense spending will leave the United States able to meet the regional commitments implied in the "pivot," along with commitments elsewhere in the world, including the Middle East.

While the budgetary implications are greatest in the defense budget, they extend across myriad aspects of U.S. policy towards the Asia-Pacific region. If the "pivot" involves a concerted effort to increase U.S. engagement across the region and to tie together diplomatic, security and economic policy, it will also affect budgets for non-military programs in the Asia-Pacific, including international assistance, energy cooperation, economic development and other foreign assistance programs, many of which are funded through the foreign operations appropriations process. Congress will have the opportunity to consider whether such programs should receive the same prioritization that the defense budget has been given, and whether the U.S. has sufficient resources to fund them.

Potential Legislative Issues: There are numerous areas in which the policies the Administration has announced may lead to a need for legislative action. For example, if the TPP talks are successful, Congress will be asked to pass reconciling legislation to bring current U.S. trade policy in line with the provisions of the new trade agreement. The Obama Administration may decide to approach Congress for Trade Promotion Authority prior to the conclusion of the TPP negotiations. As the terms of the agreement—and the outstanding issues—become more apparent,

Congress may decide to exercise its oversight authority to ascertain more about the dynamics of the negotiations and investigate the preferences and concerns of the interested parties in the United States. If the TPP negotiations falter, Congress may be approached for its support for some other regional trade initiative.

Among other legislative options, Congress could choose to consider ratification of the United Nations Convention on the Law of the Sea (UNCLOS), which would affect the strategic dynamics of U.S. policy towards maritime disputes and freedom of passage in the South and East China Seas. If Congress deems that the government of Burma has moved sufficiently on political reforms, it could also choose to lift or waive certain sanctions against that country.

Strategic Questions: Broadly, Congress will have a role through its oversight function to ask whether the Administration, through the "pivot," is pursuing goals that are productive, realistic and reachable. Through force posture hearings in its Armed Services Committees, Congress will assess whether the U.S. has sufficient resources to meet its military goals in the Asia-Pacific, and whether these decisions will limit the U.S.'s ability to meet its strategic aims elsewhere.

Indeed, Congressional action across a wide range of issues will affect the ways the region reacts to the policies that make up the "pivot." On China in particular, congressional action will influence the tone of the bilateral relationship in ways that will affect strategic dynamics across the region. Many Members of Congress seek greater access for U.S. goods and services in the Chinese market, more flexibility in Chinese exchange-rate management, improvements in human rights and in the protection of intellectual property, and more cooperation from Beijing in applying international pressure on Iran, North Korea, Syria, Sudan and other countries. Actions that Congress takes to pursue these goals will likely affect the ways China views U.S. policy, and thus its response to the "pivot."

Appendix A. The Economic Rise of Asia

Some historical and current economic trends support making the Asia-Pacific region a higher priority in U.S. foreign policy. The International Monetary Fund's (IMF) most recent regional economic forecasts project over 6.75% real growth in 2012 for the Asia-Pacific region as a whole, higher than any other region. Over the last 30 years, Asia has become increasingly important for international merchandise trade, both as a destination for exports and a source of imports (see **Table A-1**). Asia's share of global exports and imports nearly doubled between 1980 and 2010.

Table A-I. Regional Shares of Global Merchandise Trade

	Exports		Imports	
	1980	2010	1980	2010
Africa	6.0%	3.3%	4.7%	3.0%
Asia including China	15.9%	33.3%	16.9%	31.4%
Asia minus China	15.0%	22.9%	16.0%	22.3%
Central & South America	4.5%	3.8%	4.9%	3.7%
Commonwealth of Independent States	3.8%	3.9%	3.3%	2.7%
Europe	44.1%	37.0%	48.8%	37.4%
Middle East	10.4%	5.9%	4.9%	3.6%
North America	15.3%	12.9%	16.5%	17.4%

Source: World Trade Organization.

Note: "Asia" is defined as East Asia, South Asia, Southeast Asia, and Oceania (including Australia and New Zealand), but excludes Central Asia.

The rise of Asia as a leading center for world trade has made the trade routes across the Indian and Pacific Oceans critical to the health of the global economy (see **Figure A-1**). Although the cross-Atlantic corridor remains the world leader, Asia-Pacific trade corridors (including flows through the Strait of Malacca) have risen in importance.

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⁶⁴ IMF regional forecast information is available online at http://www.imf.org/external/pubs/ft/reo/reorepts.aspx?ddlYear=2011&ddlRegions=-1.

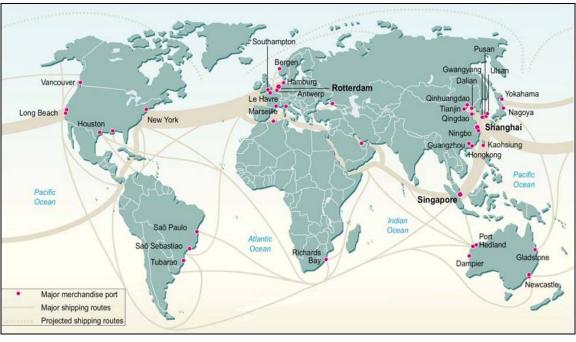


Figure A-I. Major Corridors for International Trade

Source: Justin Dillon Baatjes, Seol Han Byul, Sam Wood, Transitioning Skysraper, at http://transportcity.files.wordpress.com/2011/11/world trade map.jpg.

Asian nations are major holders of outstanding U.S. federal debt.⁶⁵ As of December 2011, China, Hong Kong, Japan, and Taiwan were among the top 10 foreign holders of federal debt, with combined holdings of \$2.5 trillion, or 28.6% of total outstanding federal debt.⁶⁶

Asia is widely viewed as playing a vital role in the prospects for a U.S. economic recovery. Not only is Asia a major component of the President's National Export Initiative, but Asia may also become an increasingly important source for foreign direct investment (FDI) in the United States, as well as a continued destination for U.S. FDI. At the same time, major Asia companies from China, Hong Kong, Japan, South Korea, and Singapore may constitute some of the leading competitors for U.S. companies venturing further into the global market.

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⁶⁵ For more information, see CRS Report RS22331, *Foreign Holdings of Federal Debt*, by Justin Murray and Marc Labonte.

⁶⁶ U.S. Treasury Department, "Major Foreign Holders Of Treasury Securities," at http://www.treasury.gov/resource-center/data-chart-center/tic/Documents/mfh.txt. Data for total outstanding federal debt ("privately-held federal debt") can be found in Table OFS-2: Estimated Ownership of U.S. Treasury Securities from the March 2011Treasury Bulletin. See link for "Ownership of Federal Securities" tables at http://www.fms.treas.gov/bulletin/index.html.

Appendix B. Selected Documents and Speeches⁶⁷

Hillary Clinton, "America's Pacific Century," *Foreign Policy*, November 2011, at http://www.foreignpolicy.com/articles/2011/10/11/americas pacific century.

Tom Donilon, "America is Back in the Pacific and will Uphold the Rules," *Financial Times*, November 27, 2011, at http://www.ft.com/cms/s/0/4f3febac-1761-11e1-b00e-00144feabdc0.html#axzz1lvbgzfyEc.

President Barack Obama, "Remarks By President Obama to the Australian Parliament," November 17, 2011, at http://www.whitehouse.gov/the-press-office/2011/11/17/remarks-president-obama-australian-parliament.

President Barack Obama and Prime Minister Gillard of Australia, "Remarks by President Obama and Prime Minister Gillard of Australia in Joint Press Conference," November 16, 2011, at http://www.whitehouse.gov/the-press-office/2011/11/16/remarks-president-obama-and-prime-minister-gillard-australia-joint-press.

U.S. Department of Defense, Sustaining U.S. Global Leadership: Priorities for 21st Century Defense, January 2012, at http://www.defense.gov/news/Defense Strategic Guidance.pdf.

- Two useful briefings about the new DOD "Strategic Guidance" are: "Defense Strategic Guidance Briefing from the Pentagon," January 5, 2012, at http://www.defense.gov/transcripts/transcript.aspx?transcriptid=4953; and "Defense Strategic Guidance Media Roundtable at the Pentagon," January 5, 2012, at http://www.defense.gov/transcripts/transcript.aspx?transcriptid=4954.
- U.S. Department of Defense, *Annual Report to Congress [on] Military and Security Developments Involving the People's Republic of China 2011*, Washington, 2011, at http://www.defense.gov/pubs/pdfs/2011 cmpr final.pdf.
- U.S. Department of Defense, "Background Briefing on Air-Sea Battle by Defense Officials from the Pentagon," November 9, 2011, at http://www.defense.gov/transcripts/transcript.aspx? transcriptid=4923.

⁶⁷ Compiled by CRS Information Research Specialist Hannah Fischer.

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